



INTERIM REPORT DATED November 23, 2011

## **Central Asia Gold AB (publ)**

### **Interim report for the nine-month period from January – September 2011**

- Consolidated total income for the reporting period amounted to MSEK 163.2 (MSEK 179.5) and to MSEK 67.9 (MSEK 105.1) for the third quarter.
- Total production from current production units during January-September 2011 was 315 kg (424 kg) of which 143 kg (243 kg) was produced in the third quarter.
- The amount of gold produced from hard rock gold mining operations during January-September 2011 was 258 kg (231 kg) of which 106 kg (135 kg) was produced in the third quarter.
- EBITDA for the period January-September 2011 was MSEK -17.5 (MSEK 24.1) and for the third quarter MSEK 6.2 (MSEK 16.6).
- The net result, after tax and non-controlling interest, was MSEK -56.7 (MSEK -22.7) for the reporting period and MSEK -27.4 (MSEK -11.3) for the third quarter.
- Earnings per share for the period January-September 2011 was SEK -3.34 (SEK -6.87) and SEK -1.51 (SEK -1.79) for the third quarter.
- During the reporting period, all shares in the alluvial producing subsidiary LLC Artelj Lena was sold in two tranches for a total consideration of MRUB 100, approx. MSEK 22.
- A directed new share issuance of MSEK 28 to a limited number of selected qualified investors was completed on July 28.

#### **Significant events after the end of the reporting period**

- In October the construction completion statement and permission to commission phase 1 (absorption) of the Tardan heap leaching plant was received. On November 1, the company applied for the cyanide license and the license is expected to be received in December 2011.

## **Comments by the CEO**

Dear fellow shareholders,

Construction of the Tardan heap leaching plant was completed during the period. A number of milestones were met in terms of the permitting process including the receipt of the construction completion statement. On November 1<sup>st</sup> an application was submitted for usage of cyanides at Tardan and a license to be issued in December. That being said, we plan to start production on Tardan heap leaching factory before the end of 2011.

We continue to focus on cost control and improving management procedures throughout our properties, with a particular focus on Solcocon. Historically our business has suffered from a lack of controls at the subsidiary level and whilst the financial results do not currently reflect these improvements, we expect to see these actions pay dividends both operationally and in terms of cost in the medium term.

Before the end of the year CAG will close the administrative offices in Krasnokamensk and in Kyzyl and move all employees from these offices to the mining sites. This will allow the key project managers and financial directors to maintain closer control of operations, will further improve efficiency and communications and will reduce our administrative overhead.

We have identified additional resource to strengthen the management team in Moscow and will be hiring a new head of legal in November. We are also in the process of further augmenting the team at Tardan in preparation for the launch of the new factory at the end of the year.

Whilst the team has been largely focused on the optimization of costs at the existing production facilities and the conclusion to the permitting process at Tardan, we also received some positive results from the exploration work currently being effected by our Joint Venture partner Centerra. Kara Beldyr continues to look more and more like a very attractive prospect and work is being finalized to prepare a reserve statement in both 43-101 and GKZ standards.

Whilst the short-term financial results have been disappointing I am thankful to our team for the progress that has been made during the period and I remain confident that we will begin to start seeing the results of this hard work in the near term.

***Preston Haskell***  
***Chief Executive Officer***

## Operational update

### Production

The total production of gold for the first nine months of 2011 from current production unit's amounts to 315 kg (424 kg), which is 25.7 % lower, compared to the same period last year. The relative share of hard rock gold production now accounts for 82% and has increased with 11.7 % compared to last year.

Production unit	License area	Alluvial/Hard Rock	Production Jan-Sept 2011 (kg)	Production Jan-Sept 2010 (kg)	Production 2010 (kg)*
Tardan (gravitational)	Tardan	Hard Rock	65	133	160
Tardan (leaching)	Tardan	Hard Rock	0	0	0
Solcocon	Staroverinskaya	Hard Rock	193	98	171
<b>SUB TOTAL</b>		<b>HARD ROCK</b>	<b>258</b>	<b>231</b>	<b>331</b>
Gold Borzyia	Staroverinskaya	Alluvial	57	193	235
<b>Total</b>			<b>315</b>	<b>424</b>	<b>566</b>

\* Due to CAGs sale of all its shares in the alluvial producing subsidiary LLC Artelj Lena in July 2011, the production from Artelj Lena has been excluded from the table above. In 2010 the production at Artelj Lena amounted to 164 kg and the total production for 2010 was 730 kg.

### Tardan

In the third quarter of 2011 the construction of the heap leaching plant at Tardan was completed. Tardan also went through a number of important permitting events. The construction completion statement was received, followed by a permission to commission Phase I (absorption) cycle of the heap leaching plant. On November 1<sup>st</sup> Tardan applied for cyanide license, and expects to receive the license in December 2011.

In late November 2011 Tardan will start irrigation of the heap in order to maintain the required temperature and be fully prepared for cyanidation. Immediately upon receiving the cyanide license Tardan will be allowed to order and to use chemicals although delivery of cyanides to the site will take up to 10 days.

To commission the Phase II (desorption) and to be able to produce doré gold, Tardan has currently engaged Zolotoproject design institute to finalize factory design documentation. The company expects to complete all permitting for Phase II in the first quarter of 2012. By that time the irrigated heap will be up and running and will allow to start the full cycle (phases I and II) of gold production.

To ensure continuous ore supply for the heap leaching plant, in 3<sup>rd</sup> quarter 2011 Tardan started stripping works at ore body 26. The ore body 26 contains 2,500 kg Au @ 7.6 g/t average and will largely form the reserve base for 2012 operations.

## Solcocon

Solcocon heap leaching plant continued its operations as planned although it faced minor operational issues related to delays in carbon and cyanide deliveries in September 2011. Stacking of a new heap was initiated in September and is now close to completion. One of the existing heaps was cut out of the irrigation circle due to depletion. In December 2011 CAG plans to introduce a thorough cost control program to ensure the efficiency of Solcocon operations.

## Gold Borzya

Operations at Gold Borzya have been shut down on October 27 as the placer season is over. Borzya produced 76 kg in 2011. Currently CAG considers outsourcing 2012 operations at Borzya to 3<sup>rd</sup> party. The mining fleet is working on preparing 2012 reserves for mining and on delineating the 2012 reserve blocks.

## Exploration

CAGs registered gold reserves are presented in the table below.

License Deposits	Alluvial/Hard Rock	C1*				C2*				License expiration	P1/P2** 000 kg
		Ore, 000 t.	Au, g/t	Au, kg	Au, 000 oz	Ore, 000 t.	Au, g/t	Au, kg	Au, 000 oz		
<b>Tardan</b>										2028-2032	22
Tardan deposit	Hard Rock	1 454	3,75	5 454	175,4	524	4,45	2 332	75,0		
Tardan exploration li	Hard Rock					270	6,14	1 656	53,2		
<b>Staroverinskaya</b>										2029	132
Kozlovskoye	Hard Rock	262	8,77	2 297	73,8	869	7,78	6 764	217,5		
Bogomolovskoye	Hard Rock	20	2,95	59	1,9	2 141	3,48	7 460	239,8		
Borzya	Alluvial	166	1,34	222	7,1	1 036	1,41	1 456	46,8		
<b>Uzhunzul</b>	Hard Rock									2031	26
<b>Kara-Beldyr***</b>	Hard Rock									2027	22
<b>TOTAL</b>		<b>1 902</b>		<b>8 032</b>	<b>258,2</b>	<b>4 840</b>		<b>19 668</b>	<b>632,3</b>		<b>202</b>

\* According to GKZ classification.

\*\* Based on in-house calculations

\*\*\* License operated in joint venture with Centerra Gold Inc. CAGs share is currently 50%.

## Tardan

### Tardan Ore Cluster

For the bigger Tardan license, the 2012 exploration program was developed during the third quarter. The program is aimed at upgrading the C1/C2 resource at the Sorulug-Khem area, increase the P1/P2 resources at 3 other promising targets and on prospective exploration across the 540 km<sup>2</sup> license area. To execute the program, CAG has hired Victor Sovluk as a chief geologist for Tardan project. Victor is well known to be one of the most professional geologists with extensive experience in the region, and already has over 7 years experience working at Tardan exploration license.

## **The Tardan Deposit**

Although well studied, the Tardan deposit requires certain geological investigations to secure reserves substitution in the long term and to comply with the license agreement. The program for 2012 was developed aiming to upgrade 1,570 kg Au reserves on strike of existing ore bodies into C1/C2 categories, as well as outline approx. 4,000 kg Au Reserves of P category. The program, also led by Victor Sovluk, assumes a number of improvements in geological practices, upgrade of geological software and purchase of adequate drilling equipment.

## **Staroverinskaya License**

The 2011 exploration program at Podgornoye southern flanks is near completion. The company expects to increase and prepare for mining the reserves of Podgornoye by 300 kg Au, which will go into the reserve pipeline for the Solcocon heap leaching plant in 2012. Results of the 2010-2011 geochemical samples have been partly received and processed, and the interpretation of encountered geochemical anomalies will facilitate continued exploration in the license area. The exploration program for 2012 for the Staroverenskaya license has been designed to provide the Solcocon heap leaching plant with the reserve base needed in the long term, as well as to comply with the license requirements.

## **Uzhunzhul**

Geochemical sampling program of 100x100 m grid was carried out on the southern part of the Uzhunzhul license. 5085 samples were selected and prepared for sending to the lab. Overall, 13,500 soil samples were taken in 2010 and 2011. Selective geochemical anomalies identified in 2010 were studied by CAG geologists in 2011, and additional 24 grab samples were selected from the prospective anomalies. For 2012 exploration program was designed with the expected resource identification of 3 tons Au (P1+C2). The program includes geochemical assays of 5100 samples (2011) and 3500 samples (2007), 10 km geophysics on anomalies, core storage construction, 4 km of trenching and 1.5 km of diamond drilling.

## **Kara Beldyr**

Kara Beldyr is an exploration joint venture between CAG and Centerra Gold Inc. (“Centerra”) located in Tyva region of Russia. Centerra, the operator of the project, currently owns 50% and has an option to increase the stake up to 70%. The project shows very promising results and it is planned to submit the resource calculation statement in the first quarter of 2012. In 9 months 2011, Kara-Beldyr has completed 60 holes (10,500 meters) of diamond drilling, which will be a significant contribution to 2012 resource calculation. Before the end of 2012, it is planned to complete additional 2,000 meters of drilling. For 2012, exploration program with a budget of \$3 million was designed. The program includes 10,000 m. of diamond drilling and preparation of a feasibility study.

## **Income, result and financial position for the group**

### **Income and result**

For the nine-month period ended September 30, 2011 the group reported a net result after tax and non-controlling interest of TSEK -57,731 (TSEK -22,945) which corresponds to SEK -3.34 (SEK -6.87) per share. For the third quarter, the net result after tax and non-controlling interest was TSEK -27,383 (TSEK -11,344) or SEK -1.51 (SEK -1.79) per share.

Consolidated gold sales were TSEK 95,613 (TSEK 137,362) during the period and TSEK 53,622 (TSEK 89,161) for the third quarter. The decrease in revenue from gold sales is due to lower volumes of gold sold during the period at Tardan and Gold Borzya and the divestiture of alluvial production units. For Tardan the lower volume of gold produced and sold is due to lower gold grade ore having been used in the production at the gravitation plant this year and that the main focus of the work performed has been on preparing ore for the heap leaching production that will commence as soon as the heap leaching plant is commissioned. At Gold Borzya, bad weather conditions during the production season and lower gold grades have caused lower production levels and higher production costs than last year, hence causing a significant negative impact on the consolidated operating result for the reporting period. The company has during the reporting period continued its review of the business of Gold Borzya in order to identify the best exit opportunity for this alluvial production unit and the result of this review is expected to be completed during the fourth quarter of 2011.

The amount of gold produced from the currently active production units of the group during the report period was 315 kg (424 kg) and 143 kg (243 kg) in the third quarter.

The change in stock of finished- and semi-finished goods amounted to TSEK 47,619 (TSEK 19,227) during the reporting period and TSEK -1,626 (TSEK 4,856) in the third quarter. The increase for the reporting period is mainly due to the comprehensive work of preparing ore for the heap leaching production at Tardan that has been performed during the first nine months of 2011.

Total operating costs for the group during the reporting period amounted to TSEK -221,835 (SEK -175,422) of which TSEK -92,047 (TSEK -96,700) relates to the third quarter. The total operating costs for the period is affected by a write down of TSEK -21,165 (TSEK 0) relating to weaknesses in construction work performed at the Tardan plant, due to poor project management of the construction process in the first half of the year, noted in the completion of the construction during the third quarter. The operating expenses are also higher compared to last year due to significantly increased production costs at the company's remaining alluvial production unit Gold Borzya and due to increased activity at the Solcocon production unit compared to the nine-month period last year. In addition, comprehensive preparation work performed at Tardan to prepare ore for the heap leaching production has led to an increase in operating expenses for the reporting period.

The extraordinary high operating costs for the nine-month period is mainly attributable to the first six month of the year. During the third quarter of 2011 the operating costs, excluding the write-down, has got back to more normal levels, even if still to high at the current production volumes. The company does however anticipate that the production costs per produced unit will be significantly reduced, as the production volume will increase upon the start of the Tardan heap leaching plant. For the third quarter the earnings before interest, taxes, depreciation and amortizations (EBITDA) amounted to TSEK 6,257 (TSEK 16,638).

During the reporting period, exploration costs of TSEK 4,112 (TSEK 17,237) were capitalized. Of this amount, TSEK 303 (TSEK 11,057) was capitalized in the third quarter.

Net financial items were TSEK - 14,099 (TSEK -17,482) for the reporting period and TSEK -13,928 (TSEK -16,277) for the third quarter.

Income tax for the reporting period was TSEK 14,997 (TSEK -9,586) and TSEK 10,669 (TSEK -3,488) for the third quarter. The income tax is predominantly related to change in deferred taxation at the subsidiary level. In the first quarter of 2010, significant taxable income generated in the subsidiary LLC GRE-324, entailed the utilization of previously accumulated deferred tax asset, which explains the significant amount of tax expense for the comparable period.

The net result attributable to non-controlling interest was TSEK – 1,071 (TSEK -207) for the reporting period and TSEK 0 (TSEK -16) for the third quarter. The non-controlling interest relates to the subsidiary LLC Artelj Lena that was sold in two tranches during the reporting period. The total consideration for the shares was MRUR 100, approx. MSEK 22.7 and the sale generated a group profit of TSEK 11,585, which is included in other operating income.

## **Investments, liquidity and financing**

During the reporting period, total investments amounted to TSEK 175,207 (TSEK 41,414). The investments relates mainly to the construction of the heap leaching plant at Tardan.

During the reporting period loans have been received in an amount of MSEK 150, of which MSEK 77 is drawdowns from the bank loan from Svyaz-Bank and MSEK 73 is use of the credit line from the related party Golden Impala. The credit lines from Golden Impala were during the period increased from MUSD 3.6 (approx. MSEK 23) to MUSD 19.1 (approx. MSEK 124). Repayments of the bank loans to Svyaz-Bank have been made with MSEK 53 during the period. The loans with Svyaz Bank have an annual interest rate of 12% and an amortization schedule from July 2011 through March 2012. The credit lines from Golden Impala have an annual interest rate of 16%, with maturity in September 2012. For the last credit line received of MUSD 13, the interest rate will increase to 18% annually, from January 2012.

In July 2011, the company raised MSEK 28 through a directed new share issuance in order to strengthen the financial position of the group.

Due to the tight amortization schedule of the loans granted from Svyaz-Bank, especially for the loan regarding the construction of the Tardan heap leaching plant, were the construction and commissioning of the plant has suffered delay, the company has a need to refinance its bank debt in order to get a more sustainable financial solution that suites the development plans for the company. For this purpose the board of directors is evaluating different options for refinancing its current loans. As a part of this process, additional credit lines from Golden Impala in the amount of MUSD 15.5 (approx. MSEK 101) were received during the third quarter. Discussions with Svyaz-Bank regarding a restructure of the current bank loans are ongoing and expected to be finalized before year-end. Other options for refinancing the current loans are also being evaluated and it is the opinion of the board of directors that a refinancing solution that secures the company's financing needs will be reached around year-end.

Consolidated cash balance at September 30 was TSEK 15,379 (TSEK 56,626).

## **Other financial information**

### **Segment information**

The company accounts for segments in accordance with IFRS 8. At present the company only considers that it has one segment as only one product, gold, is extracted and all operations are performed in one economic environment, Russia.

### **Transactions with related parties**

In April 2011, Golden Impala Ltd, a company related to the ultimate controlling party of CAG, Preston Haskell, opened a credit line with a limit of MUSD 3.6 (approx. MSEK 23) with a 16% annual interest rate. The aim of the credit line is to serve the current and short-term working capital requirements of Central Asia Gold. The maturity of the credit line is in September 2012. During the third quarter, two additional credit lines of MUSD 2.5 and MUSD 13, in total MUSD 15.5 (approx. MSEK 101) was opened, both with an annual interest of 16% and maturity in September 2012. For the credit line of MUSD 13, the annual interest will increase to 18% in 2012.

### **Employees**

The group had on average 646 (869) employees during reporting period. As per the end of September 2011 the number of employees in the group was 729 (975).

### **Capital Structure**

During the third quarter (July 28) 2011, the company completed a directed new share issuance of 1,600,000 shares. The number of issued shares at the end of the reporting period amounts to 17,616,987.

The limits of the share capital are a minimum of TSEK 150,000 and a maximum of TSEK 600,000 and the quota value of each share is SEK 11.25. Each share carries one vote.

At the reporting date there are 510,650,000 outstanding warrants with the right to subscribe for 1,315,000 shares. 250,000 shares have a strike price of SEK 221.10 per share with last date of exercising in January 2012. 1,065,000 shares have a strike price of SEK 25 per share and are exercisable until August 2012.

### **The parent company**

The parent company is a holding company without significant operations. It supports the subsidiaries with financing, investor relation services and strategy reviews etc. Thus it usually has no income other than interest on loans extended to the subsidiaries from time to time or in respect of bank deposits.

As of January 1, 2010, the group changed its policy for reporting exchange rate gains and losses arising on intercompany loans to be reported as a component of other comprehensive income instead of a part of financial items in the income statement due to their character of net investment in foreign operations. The change in the group accounting policy also affects the accounting of the exchange rate differences in the parent company accounts, were these differences are reported in a fair value reserve (translation difference reserve) in equity, instead of in financial items in the income statement. The change in value is reported in the parent company's other comprehensive income.

With regards to the above, the income statement, balance sheet and statement of changes in equity for the parent company has been restated in accordance with note 1.

The net result for the reporting period was TSEK -2,193 (TSEK 8,168) and TSEK -9,810 (TSEK -4,302) for the third quarter.

Total cash balance in the parent company was TSEK 8,515 (TSEK 42,592) at the end of September 2011.

## Accounting principles and basis of preparation

The consolidated accounts for Central Asia Gold AB have been prepared in accordance with International Financial Reporting Standards (IFRS) as described on page 38 in the annual report for financial year 2010. The evaluations and estimations made by the board of directors and management in preparing the interim report is described on page 44 in the annual report for 2010.

This interim report has been prepared in accordance with IAS 34, *Interim Financial Reporting* and in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, *Supplementary accounting regulations for groups*.

The new or revised IFRS standards or IFRIC-recommendations that have been enacted since 1 January 2011 have not had any material effect on the group's income statement and balance sheet.

The parent company applies the same accounting principles as the group and the Swedish Financial Reporting Board's recommendation RFR 2, *Accounting for legal entities*.

## Risks and uncertainties associated with this interim report

The group's risk exposure is presented on page 21 of the 2010 annual report. The Board of Directors believes that the most important risk factors for the time being are:

- 1) *Gold price risk:* The fluctuations of the international gold price directly influence the revenues of a gold producing company
- 2) *Currency risk:* Central Asia Gold operations and reporting is influenced by gold price in USD of production costs in RUB, and the reporting of the SEK. Fluctuations in exchange rates could have a major impact on both local operational results and the SEK reported results.
- 3) *Political risks:* Central Asia Gold currently operates only in Russia. Being a young democracy Russia does not have as stable political situation as it is in the older democracies of Western Europe.
- 4) *Inflation risk:* The Russian economy has been subject to significant inflation pressure during the last few years. This directly impacts on the production costs in a gold mining company.
- 5) *Geologic risk:* The recoverable gold reserves of a gold exploration and production company are influenced by geologic and economic factors. The estimation of reserves is therefore at all times dependent on the international gold price, costs associated with the extraction of the gold etc. Therefore the estimated gold reserves of any gold company may change at any point in time. In particular the alluvial subsidiaries of the Central Asia Gold group are sensitive to cost increases.
- 5) *Financial and project risk:* Central Asia Gold AB is a junior gold mining company at an early stage. It is involved in production of gold as well as exploration. The company is still dependent on external financing for developing its business. If the availability of external financing were to get reduced it would negatively influence the future perspectives of the company. The currently very bad sentiments on the global stock markets must be taken in to account.
- 6) *Legal risks:* Central Asia Gold operates in a complicated and challenging legal environment in Russia. Further, the Russian tax legislation is subject to varying interpretations and frequent changes. Changes in the interpretations of tax legislation and in the legal environment may have significant impact on the company.

## Significant events after the end of the reporting period

In October the construction of the Tardan heap leaching plant was completed and the construction completion statement and permission to commission phase 1 (absorption) of the plant was received. On November 1, the company applied for the cyanide license and the license is expected to be received in December 2011.

## Next report due

The next financial report due is the 12-month report for the period January-December 2011. It will be released on February 24, 2012. The Annual General Meeting for shareholders will be held on May 24, 2012.

12 month report 2011 (Jan-Dec)	24 February 2012
Annual Report 2011	26 April 2012
3 month report 2012 (Jan-March)	24 May 2012
6 month report 2012 (Jan-June)	29 August 2012
9 month report 2012 (Jan-Sept)	28 November 2012

## Company information

Central Asia Gold AB is a Swedish mining company focused on gold production and exploration in Russia in the central parts of Asia. The gold production was initiated in late January 2005 and the assets were as at end of September 2011 estimated to encompass almost 1,000,000 troy ounces (oz) (1 troy ounce = 31,1 g) of C1/ C2 Russian gold reserves (equaling some 32 tons). The parent company's full name is Central Asia Gold AB (publ). It is a public limited liability company with head office in Stockholm. The corporate identification number is 556659-4833. Address of the parent company is Engelsbrektsplan 2, 4 tr, 114 34Stockholm. Since July 19, 2010, CAG's shares are traded on First North Premier at the NASDAQ OMX Nordic Exchange under the short name CAG. For more information please visit [www.centralasiagold.se](http://www.centralasiagold.se). Mangold Fondkommission is Certified Adviser to CAG, for more information please call +46 8 503 015 50 or visit [www.mangold.se](http://www.mangold.se).

*The board of directors and the managing director confirm that the interim report provides an accurate overview of the company's and the group's operations, position, results and that it describes significant risks and uncertainties that the company and group companies are exposed to.*

Stockholm, November 23, 2011

Central Asia Gold AB (publ.)

Lars Guldstrand  
*Chairman*

Nick Harwood  
*Director*

Tom Baring  
*Director*

Gordon Wylie  
*Director*

Niclas Ericsson  
*Director*

Preston Haskell  
*CEO and Director*

Our review report on this interim report was submitted November 23, 2011  
Öhrlings PricewaterhouseCoopers AB

Martin Johansson  
Authorized Public Accountant

For more information, please contact:

Lars Guldstrand, Chairman of the Board of Central Asia Gold AB, phone +46 70 528 8181  
E-mail: [lars.guldstrand@centralasiagold.se](mailto:lars.guldstrand@centralasiagold.se)

Preston Haskell, CEO of Central Asia Gold AB, phone +46 76 890 5549  
E-mail: [preston.haskell@centralasiagold.se](mailto:preston.haskell@centralasiagold.se)

Website: [www.centralasiagold.se](http://www.centralasiagold.se), Postal and visiting address: Engelbrektsplan 2, 4tr

SE-114 34 Stockholm

**Cautionary Statement:** Statements and assumptions made in this report with respect to Central Asia Gold AB's ("CAG") current plans, estimates, strategies and beliefs, and other statements that are not historical facts, are forward-looking statements about the future performance of CAG. Forward-looking statements include, but are not limited to, those using words such as "may", "might", "seeks", "expects", "anticipates", "estimates", "believes", "projects", "plans", "strategy", "forecast" and similar expressions. These statements reflect management's expectations and assumptions in light of currently available information. They are subject to a number of risks and uncertainties, including, but not limited to, (i) changes in the economic, regulatory and political environments in the countries where CAG operates; (ii) changes relating to the geological information available in respect of the various projects undertaken; (iii) CAG's continued ability to secure enough financing to carry on its operations as a going concern; (iv) the success of its potential joint ventures and alliances, if any; (v) exchange rates, particularly between the Russian rouble and the U.S. dollar. In the light of the many risks and uncertainties surrounding any gold production and exploration company at an early stage of its development, the actual results could differ materially from those presented and forecast in this report. CAG assumes no unconditional obligation to immediately update any such statements and/or forecasts.

*This Interim report in English is a translation of the Swedish interim report for the nine month period ended September 30, 2011. If any discrepancies exist in the translation, the Swedish version shall prevail.*

# Financial reports

## CONSOLIDATED INCOME STATEMENT

(All amounts in TSEK)	3 months 2011-07-01 -2011-09-30	3 months 2010-07-01 -2010-09-30	9 months 2011-01-01 -2011-09-30	9 months 2010-01-01 -2010-09-30	12 months 2010-01-01 -2010-12-31
<b>Income</b>					
Revenue from sale of gold	53 622	89 161	95 613	137 362	214 037
Capitalised work for own account	303	11 057	4 112	17 237	18 153
Change in stock of finished and semi-finished goods	-1 626	4 856	47 619	19 227	15 097
Other operating income	15 624	47	15 862	5 719	35 838
<b>Total income</b>	<b>67 923</b>	<b>105 121</b>	<b>163 206</b>	<b>179 545</b>	<b>283 125</b>
<b>Operating costs</b>					
External expenses	-29 914	-58 653	-103 845	-102 420	-153 634
Employee benefit expenses	-20 030	-29 830	-65 117	-53 001	-72 403
Depreciation, amortization and write downs	-30 381	-8 217	-41 151	-20 001	-23 309
Other operating expenses	-11 722	-	-11 722	-	-
<b>Total operating costs</b>	<b>-92 047</b>	<b>-96 700</b>	<b>-221 835</b>	<b>-175 422</b>	<b>-249 346</b>
<b>Operating profit/loss</b>	<b>-24 124</b>	<b>8 421</b>	<b>-58 629</b>	<b>4 123</b>	<b>33 779</b>
Net financial items	-13 928	-16 277	-14 099	-17 482	-16 671
<b>Profit/loss before income tax</b>	<b>-38 052</b>	<b>-7 856</b>	<b>-72 728</b>	<b>-13 359</b>	<b>17 108</b>
Income tax	10 669	-3 488	14 997	-9 586	-9 420
<b>Net profit/loss for the period</b>	<b>-27 383</b>	<b>-11 344</b>	<b>-57 731</b>	<b>-22 945</b>	<b>7 688</b>
Whereof attributable to:					
The owners of the parent company	-27 383	-11 328	-56 660	-22 738	7 964
Non-controlling interest	-	-16	-1 071	-207	-276
<b>Earnings per share before dilution (SEK)</b>	<b>-1,51</b>	<b>-1,79</b>	<b>-3,34</b>	<b>-6,87</b>	<b>1,58</b>
<b>Earnings per share after dilution (SEK)**)</b>	<b>-1,51</b>	<b>-1,79</b>	<b>-3,34</b>	<b>-6,87</b>	<b>1,58</b>
Number of shares issued at period end	17 616 987	15 887 812	17 616 987	15 887 812	16 016 987
Average number of shares for the period	16 938 726	6 344 110	16 938 726	3 308 350	5 026 107
Average number of shares for the period after dilution (**)	16 938 726	6 344 110	16 938 726	3 308 350	5 026 107

\*\*) At the end of September 2011, there are 510,650,000 outstanding warrants with the right to subscribe for 1,315,000 shares. 250,000 of these shares has a strike price of SEK 221.1 per share with last date of exercising in January 2012. 1,065,000 shares has a strike price of SEK 25 per share and are exercisable until August 2012. Since the strike price is higher than the prevailing market price, no dilution currently arises due to the outstanding warrants. If all outstanding warrants were to be converted to shares, the total number of shares after dilution would be 17,331,987.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in TSEK)	3 months 2011-07-01 -2011-09-30	3 months 2010-07-01 -2010-09-30	9 months 2011-01-01 -2011-09-30	9 months 2010-01-01 -2010-09-30	12 months 2010-01-01 -2010-12-31
Net profit/loss for the period	-27 383	-11 344	-57 731	-22 945	7 688
<b>Other comprehensive income</b>					
Translation difference	-17 653	-15 923	-10 931	-29 132	-16 320
<b>Total comprehensive income for the period</b>	<b>-45 036</b>	<b>-27 267</b>	<b>-68 662</b>	<b>-52 077</b>	<b>-8 632</b>
Whereof attributable to:					
The owners of the parent company	-43 967	-27 251	-67 591	-51 870	-8 356
Non-controlling interest	-	-16	-1 071	-207	-276

## CONSOLIDATED BALANCE SHEET

(All amounts in TSEK)	September 30, 2011	September 30, 2010	December 31, 2010
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Intangible fixed assets	157 335	157 528	154 301
Tangible fixed assets	229 518	101 675	143 087
Financial fixed assets	88 507	29 366	60 938
<b>Total fixed assets</b>	<b>475 360</b>	<b>288 569</b>	<b>358 326</b>
<b>CURRENT ASSETS</b>			
Inventories	152 928	120 560	167 772
Current receivables	58 683	92 357	89 160
Cash and bank	15 379	56 526	22 230
<b>Total current assets</b>	<b>226 990</b>	<b>269 443</b>	<b>279 162</b>
<b>TOTAL ASSETS</b>	<b>702 350</b>	<b>558 012</b>	<b>637 488</b>
<b>Other operating expenses</b>			
Equity	366 484	355 998	404 106
Non-controlling interest	-	1 475	1 405
<b>Total equity</b>	<b>366 484</b>	<b>357 473</b>	<b>405 511</b>
<b>Long term liabilities</b>	<b>79 579</b>	<b>124 173</b>	<b>61 282</b>
<b>Current liabilities</b>	<b>256 287</b>	<b>76 366</b>	<b>170 695</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>702 350</b>	<b>558 012</b>	<b>637 488</b>
<b>PLEGGED ASSETS</b>	<b>121 536</b>	<b>39 093</b>	<b>53 386</b>
<b>CONTINGENT LIABILITIES</b>	<b>1 558</b>	<b>-</b>	<b>31 436</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in TSEK)	Attributable to the shareholders of the parent company				Non-controlling interest	Total equity
	Share capital	Additional paid in capital	Translation difference reserve	Retained earnings		
Equity as at December 31, 2009	176 531	-66 031	4 915	79 005	1 681	196 101
<b>Transactions with shareholders</b>						
Reduction in share capital	-156 671	156 671				0
Share issuance	160 331	67 829				228 160
Costs for share issuance		-14 711				-14 711
<b>Total transactions with shareholders for the period</b>	<b>3 660</b>	<b>209 789</b>				<b>213 449</b>
<b>Comprehensive income</b>						
Net profit/loss for the period				-22 738	-207	-22 945
Translation difference			-29 132			-29 132
<b>Total comprehensive income for the period</b>			<b>-29 132</b>	<b>-22 738</b>	<b>-207</b>	<b>-52 077</b>
Equity as at September 30, 2010	180 191	143 758	-24 217	56 267	1 474	357 473
Effect of restatement of 2009 accounts				4 644		4 644
<b>Transactions with shareholders</b>						
Costs for share issuance		-53				-53
<b>Total transactions with shareholders for the period</b>		<b>-53</b>				<b>-53</b>
<b>Comprehensive income</b>						
Net profit/loss for the period				30 703	-69	30 634
Translation difference			12 813			12 813
<b>Total comprehensive income for the period</b>			<b>12 813</b>	<b>35 347</b>	<b>-69</b>	<b>43 447</b>
Equity as at December 31, 2010	180 191	143 705	-11 404	91 614	1 405	405 511
<b>Transactions with shareholders</b>						
Share issuance	18 000	10 000				28 000
Costs for share issuance		2 094				2 094
<b>Total transactions with shareholders for the period</b>	<b>18 000</b>	<b>12 094</b>				<b>30 094</b>
Change in non-controlling interests				-125	-334	-459
<b>Comprehensive income</b>						
Net profit/loss for the period				-56 660	-1 071	-57 731
Translation difference			-10 931			-10 931
<b>Total comprehensive income for the period</b>			<b>-10 931</b>	<b>-56 660</b>	<b>-1 071</b>	<b>-68 662</b>
Equity as at September 30, 2011	198 191	155 799	-22 335	34 829	0	366 484

## CONSOLIDATED CASH FLOW STATEMENT

	9 months 2011-01-01 -2011-09-30	9 months 2010-01-01 -2010-09-30	12 months 2010-01-01 -2010-12-31
(All amounts in TSEK)			
Operating activities	-58 629	4 123	33 779
Adjustment for non-cash items	29 293	20 001	-6 391
Paid/received interest	-6 301	-5 552	-10 894
<b>Cash flow from operations before changes in working capital</b>	<b>-35 637</b>	<b>18 572</b>	<b>16 494</b>
Changes in working capital	71 617	-41 414	-113 347
<b>Net cash used in operating activities</b>	<b>35 980</b>	<b>-22 842</b>	<b>-96 853</b>
<b>Net cash used in investing activities</b>	<b>-175 207</b>	<b>-94 990</b>	<b>-95 220</b>
<b>Net cash generated from financing activities</b>	<b>132 905</b>	<b>151 226</b>	<b>191 234</b>
<b>Net change in cash</b>	<b>-6 322</b>	<b>33 394</b>	<b>-839</b>
Cash and bank at the beginning of the period	22 230	22 732	22 732
Translation difference in cash and bank	-529	400	337
<b>Cash and bank at the end of the period</b>	<b>15 379</b>	<b>56 526</b>	<b>22 230</b>

## CONSOLIDATED KEY RATIOS

	9 months 2011-01-01 -2011-09-30	9 months 2010-01-01 -2010-09-30	12 months 2010-01-01 -2010-12-31
Total assets (TSEK)	702 350	558 012	637 488
Total equity (TSEK)	366 484	357 473	405 511
Equity ratio (%)	52,2%	64,1%	63,6%
Interest bearing debt (TSEK)	234 183	72 408	118 133
Employees at period end	729	975	726
EBITDA (TSEK)	-17 478	24 124	57 088
<b>Per share data</b>			
Earnings per share (SEK)	-3,34	-6,87	1,58
Equity per share (SEK)	20,80	22,41	25,23
Return on equity (%)	-15,0%	-8,3%	2,6%

### Other operating expenses

Total assets (TSEK)	Total assets at period end
Total equity (TSEK)	Total equity including non controlling interest at period end
Equity ratio (%)	Total equity divided by total assets expressed as a percentage
Interest bearing debt (TSEK)	Total interest bearing debt at the period end
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
Earnings per share	Net result after tax for the period divided by the average number of outstanding shares for the period before dilution
Equity per share (SEK)	Equity excluding non controlling interests at the period end divided by the number of outstanding shares at the period end
Return on equity (%)	Net result after tax for the period divided by the average total equity for the same period

## PARENT COMPANY INCOME STATEMENT

(All amounts in TSEK)	3 months 2011-07-01 -2011-09-30	3 months 2010-07-01 -2010-09-30	9 months 2011-01-01 - 2011-09-30	9 months 2010-01-01 - 2010-09-30	12 months 2010-01-01 - 2010-12-31
		<i>Restated*</i>		<i>Restated*</i>	<i>Restated*</i>
<b>Income</b>					
Other operating income	24	0	166	5 009	13 441
<b>Total income</b>	<b>24</b>	<b>0</b>	<b>166</b>	<b>5 009</b>	<b>13 441</b>
<b>Operating costs</b>					
External expenses	-2 529	135	-5 061	-4 050	-7 009
Employee benefit expenses	-643	-155	-1 116	-451	-942
<b>Total operating costs</b>	<b>-3 172</b>	<b>-20</b>	<b>-6 177</b>	<b>-4 501</b>	<b>-7 951</b>
<b>Operating profit/loss</b>	<b>-3 148</b>	<b>-20</b>	<b>-6 011</b>	<b>508</b>	<b>5 490</b>
Net financial items	-6 662	-4 282	3 818	7 660	9 535
<b>Profit/loss before income tax</b>	<b>-9 810</b>	<b>-4 302</b>	<b>-2 193</b>	<b>8 168</b>	<b>15 025</b>
Income tax	-	-	-	-	-526
<b>Net profit/loss for the period</b>	<b>-9 810</b>	<b>-4 302</b>	<b>-2 193</b>	<b>8 168</b>	<b>14 499</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

(All amounts in TSEK)	3 months 2011-07-01 -2011-09-30	3 months 2010-07-01 -2010-09-30	9 months 2011-01-01 -2011-09-30	9 months 2010-01-01 -2010-09-30	12 months 2010-01-01 -2010-12-31
		<i>Restated*</i>		<i>Restated*</i>	<i>Restated*</i>
Net profit/loss for the period	-9 810	-4 302	-2 193	8 168	14 499
Exchange rate differences	-523	-20 656	-3 641	-26 625	-24 686
<b>Total comprehensive income for the period</b>	<b>-10 333</b>	<b>-24 958</b>	<b>-5 834</b>	<b>-18 457</b>	<b>-10 187</b>

\* Restated in accordance with note 1.

## PARENT COMPANY BALANCE SHEET

(All amounts in TSEK)	September 30, 2011	September 30, 2010	December 31, 2010
		<i>Restated*</i>	<i>Restated*</i>
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
Financial fixed assets	847 436	703 099	735 481
<b>Total fixed assets</b>	<b>847 436</b>	<b>703 099</b>	<b>735 481</b>
<b>CURRENT ASSETS</b>			
Current receivables	648	5 730	638
Cash and bank	8 515	42 592	10 945
<b>Total current assets</b>	<b>9 163</b>	<b>48 322</b>	<b>11 583</b>
<b>TOTAL ASSETS</b>	<b>856 599</b>	<b>751 421</b>	<b>747 064</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>762 084</b>	<b>729 586</b>	<b>737 804</b>
<b>Long term liabilities</b>	<b>14 833</b>	<b>19 415</b>	<b>6 398</b>
<b>Current liabilities</b>	<b>79 682</b>	<b>2 420</b>	<b>2 862</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>856 599</b>	<b>751 421</b>	<b>747 064</b>
<b>PLEGDED ASSETS</b>	<b>287 180</b>	<b>122 915</b>	<b>248 065</b>
<b>CONTINGENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Restated in accordance with note 1.

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY**

(All amounts in TSEK)	Share capital	Statutory reserve	Share premium reserve	Translation difference reserve*	Retained earnings*	Net income for the period	Total equity
<b>Equity as at December 31, 2009</b>	<b>176 531</b>	<b>68 032</b>	<b>313 198</b>	<b>0</b>	<b>-56 637</b>	<b>-12 280</b>	<b>488 844</b>
Effect of restatement of exchange rate differences*				-6 406	6 406		0
<b>Restated equity as at December 31, 2009</b>	<b>176 531</b>	<b>68 032</b>	<b>313 198</b>	<b>-6 406</b>	<b>-50 231</b>	<b>-12 280</b>	<b>488 844</b>
Profit/loss brought forward					-12 280	12 280	0
<b>Transactions with shareholders</b>							
Reduction in share capital	-156 671		156 671				0
Proceeds from share issuance	160 331		67 829				228 160
Expenses for share issuance			-14 712				-14 712
Shareholders contribution			45 751				45 751
<b>Total transactions with shareholders for the period</b>	<b>3 660</b>		<b>255 539</b>				<b>259 199</b>
<b>Comprehensive income</b>							
Net profit/loss for the period						8 168	8 168
Exchange rate difference				-26 625			-26 625
<b>Total comprehensive income for the period</b>				<b>-26 625</b>		<b>8 168</b>	<b>-18 457</b>
<b>Equity as at September 30, 2010</b>	<b>180 191</b>	<b>68 032</b>	<b>568 737</b>	<b>-33 031</b>	<b>-62 511</b>	<b>8 168</b>	<b>729 586</b>
<b>Transactions with shareholders</b>							
Expenses for share issuance			-52				-52
<b>Total transactions with shareholders for the period</b>			<b>-52</b>				<b>-52</b>
<b>Comprehensive income</b>							
Net profit/loss for the period						6 331	6 331
Exchange rate difference				1 939			1 939
<b>Total comprehensive income for the period</b>				<b>1 939</b>		<b>6 331</b>	<b>8 270</b>
<b>Equity as at December 31, 2010</b>	<b>180 191</b>	<b>68 032</b>	<b>568 685</b>	<b>-31 092</b>	<b>-62 511</b>	<b>14 499</b>	<b>737 804</b>
Profit/loss brought forward					14 499	-14 499	0
<b>Transactions with shareholders</b>							
Proceeds from share issuance	18 000		10 000				28 000
Expenses for share issuance			2 114				2 114
<b>Total transactions with shareholders for the period</b>	<b>18 000</b>		<b>12 114</b>				<b>30 114</b>
<b>Comprehensive income</b>							
Net profit/loss for the period						-2 193	-2 193
Exchange rate difference				-3 641			-3 641
<b>Total comprehensive income for the period</b>				<b>-3 641</b>		<b>-2 193</b>	<b>-5 834</b>
<b>Equity as at September 30, 2011</b>	<b>198 191</b>	<b>68 032</b>	<b>580 799</b>	<b>-34 733</b>	<b>-48 012</b>	<b>-2 193</b>	<b>762 084</b>

\* Restated in accordance with note 1.

**PARENT COMPANY CASH FLOW STATEMENT**

(All amounts in TSEK)	9 months 2011-01-01 -2011-09-30	9 months 2010-01-01 -2010-09-30	12 months 2010-01-01 -2010-12-31
Operating activities	-6 011	508	5 490
Adjustment for non-cash items	-	-	-8 392
Paid/received interest	-2 079	-5 224	-2
<b>Cash flow from operations before changes in working capital</b>	<b>-8 090</b>	<b>-4 716</b>	<b>-2 904</b>
Changes in working capital	-692	-3 434	1 496
<b>Net cash used in operating activities</b>	<b>-8 782</b>	<b>-8 150</b>	<b>-1 408</b>
<b>Net cash used in investing activities</b>	<b>-92 110</b>	<b>-154 709</b>	<b>-198 317</b>
<b>Net cash generated from financing activities</b>	<b>98 991</b>	<b>191 373</b>	<b>196 928</b>
<b>Net change in cash</b>	<b>-1 901</b>	<b>28 514</b>	<b>-2 797</b>
Cash and bank at the beginning of the period	10 945	14 794	14 794
Translation difference in cash and bank	-529	-716	-1 052
<b>Cash and bank at the end of the period</b>	<b>8 515</b>	<b>42 592</b>	<b>10 945</b>

## Notes to the financial reports

### Note 1, Restatement of parent company accounts

As of January 1, 2010, the group changed its policy for reporting exchange rate gains and losses arising on intercompany loans to be reported as a component of other comprehensive income instead of a part of financial items in the income statement due to their character of net investment in foreign operations. The change in the group accounting policy also affects the accounting of the exchange rate differences in the parent company accounts, were these differences are reported in a fair value reserve (translation difference reserve) in equity, instead of in financial items in the income statement. The change in value is reported in the parent company's other comprehensive income.

With regards to the above, the income statement, balance sheet and statement of changes in equity for the parent company has been restated for 2010 and the first half of 2011. The restatement has effect on the reported net income for the parent company, but not on the total equity reported, see table below.

Amount in KSEK	Effect on financial items	Effect on net income	Effect on fair value reserve	Effect on other comprehensive income/retained earnings	Effect on total equity
Opening balance 2009			- 6 406	+ 6 406	0
Q 1 2010	+1 470	-1 470	-1 470	+1 470	0
Q 2 2010	+4 499	-4 499	-4 499	+4 499	0
Q 3 2010	+20 656	-20 656	-20 656	+20 656	0
Q 4 2010	-1 939	+1 939	+1 939	-1 939	0
<b>Full year 2010</b>	<b>+24 686</b>	<b>-24 686</b>	<b>-24 686</b>	<b>+24 686</b>	<b>0</b>
Q 1 2011	+1 364	+1 364	-1 364	+1 364	0
Q 2 2011	-4 481	-4 481	+4 481	-4 481	0
<b>1st half year 2011</b>	<b>-3 117</b>	<b>-3 117</b>	<b>+3 117</b>	<b>-3 117</b>	<b>0</b>

### Note 2, Sale of subsidiary, LLC Artelj Lena

During the report period 100% of the shares in the subsidiary LLC Artelj Lena ("Lena") was sold to Sibirskoe Zoloto in two tranches (30% + 70%) for a total consideration of MRUB 100 (approx. MSEK 22.2).

	KSEK
Proceeds from sale	22 252
Consolidated net equity	10 394
Gain on disposal	11 858
Impact on cash flow	21 992

### Note 3, Changes in number of shares and share capital

Number of shares	2011	2010*
Opening balance	16,016,987	1,765,312
New share issuance	1,600,000	14,122,500
<b>Closing balance</b>	<b>17,616,987</b>	<b>15,887,812</b>

\* The number of shares for 2010 has been adjusted with the reversed split of 10:1 that was performed in October 2010.

The quota value of the shares is SEK 11.25 and the share capital amounts to SEK 198,191,213.

## Report of Review of Interim Financial Information

### Introduction

We have reviewed this report for the period 1 January to 30 September 2011 for Central Asia Gold AB (publ). The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 23 November 2011

Öhrlings PricewaterhouseCoopers

Martin Johansson  
Authorised Public Accountant